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 DATE: 7/4/61 REVISOR: 027109

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SEP 16 1953

Mr. W. K. Scott  
 Director, Executive Secretariat  
 Department of State  
 Washington 25, D.C.

Dear Mr. Scott:

Document No. \_\_\_\_\_  
 Review of this document by CIA has  
 been completed. ☐  
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In response to your letter of August 7th, which asks that a single point be designated within CIA for the receipt of those sensitive materials which heretofore have been sent by the Secretariat through two different channels in CIA, we have been making a survey of the steps which might be taken to achieve the end you desire. No doubt you are aware of this, as I understand that our cable people have been in direct contact with yours.

We have worked out a procedure which should serve our needs at this end, and I am therefore happy to advise that it will be entirely satisfactory to CIA if, in the future, the materials intended for both the Wisner and the Amory channels are delivered to the CIA messenger who calls at 10:00 AM and 2:30 PM Monday through Friday, and at 10:30 AM on Saturday. The Cable Branch to which this messenger delivers the materials in CIA will henceforth take over the responsibility of seeing to it that the items intended for the Wisner channel are separated out and delivered to the appropriate control point.

I am sorry that it has taken so long to get a reply to you on this subject, but you will understand that it has taken some time to work out the details in such a way as to meet the needs of all concerned.

Sincerely yours,

SIGNED

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Executive Assistant to the Director

OCD:JMA:fjc  
 15 September 1953  
 CC; Addressee Orig & 1  
 Signer - 2 ✓  
 AD/CD - 1  
 Cable Branch - 1  
 RCM/OIS - 1

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departmental papers. The accompanying chart presents the findings of an EIC survey of professional personnel engaged in economic research on the Soviet Bloc, effective 1 January 1953. Although the number of professional personnel conducting economic research   it is not believed that the totals of the other agencies have changed significantly. 25X9

6. Points 1 through 5 above argue that CIA should have responsibility for economic intelligence on the Soviet Bloc as a central service of common concern. However, it must be emphasized that this assignment of responsibilities should not preclude research on this subject in the other IAC agencies. It is essential that the other IAC agencies be permitted to do research in this field, because CIA's research effort will not be able to meet all of the needs of other agencies. The Air Targets units in Air Force, for example, require detailed industrial plant analyses and CIA is not prepared to satisfy all Air Force requirements in terms of substantive detail, focus, or timing. Similar situations exist in relation to the requirements of other IAC agencies and these agencies must be authorized to produce supplementary intelligence as required. CIA has developed its research materials on the Soviet Bloc economy to the point where the need for supplementary research by other IAC agencies has been considerably reduced.

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TAB B

# **BASIS FOR PROPOSED ALLOCATION OF ECONOMIC INTELLIGENCE PRODUCTION RESPONSIBILITIES**

It is proposed that CIA be assigned responsibility for production of economic intelligence on the Soviet Bloc as a central service of common concern. Other agencies may draw on this intelligence produced by CIA and may produce such additional economic intelligence on the Soviet Bloc as is required to meet their departmental responsibilities. The reasoning behind this proposed allocation is as follows:

1. While it might be possible to separate out some subjects for primary allocation to individual agencies, as a general proposition the numerous subjects requiring economic research are not readily separable as is assumed in the Department of State proposal (TAB A). To the contrary they are most effectively and efficiently handled in an integrated way. To cite one example, a separation of research on the standard of living from research on agriculture, as proposed by the Department of State draft, would yield a distorted, compartmentalized conclusion and would not permit a meaningful analysis of a particular situation. The interrelationship of these two subjects was clearly demonstrated by the recent Malenkov speech and by the related food and living standard problems which prompted the recent outbreaks in East Germany. Another example of the irrationality of separation is found in the close connection of research on government plans and research on sectors of industry. The Soviet practice of giving industrial production data as percentages of planned accomplishment is well known and statistical data on Soviet industry are often presented in relationship to plan goals. Therefore, research on Soviet plans should not be separated from research on sectors of Soviet industry, as proposed in the Department of State draft. Many, many more examples could be given.

2. It is important to have centralized and integrated economic research on this area if the reports and statistical data are to be made reasonably consistent. One of the main problems for the consumer of economic intelligence in Washington is that numerous reports on related subjects contain conflicting data. A trade report, for example, might give one figure for Soviet petroleum exports while a petroleum study might have quite a different figure. Allocating research on international trade to one agency and research on industries such as petroleum to another simply compounds this difficulty. This is simply one example of hundreds that might be cited.

3. Because of the paucity of information caused by Soviet Bloc security restrictions, any meaningful research on the Bloc requires intensive analysis by a large number of highly trained personnel using all sources of information — some of which are highly sensitive. It would not be possible for any single agency to justify hiring the number of personnel

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required to service other agencies solely on the basis of its departmental responsibilities. However, this effort could be justified by ORR/CIA working for all agencies as a service of common concern.

4. As recognized in the statement of "Policies" in the proposed DCID "any agency may make such studies as it believes necessary to supplement intelligence obtained from other agencies in order to fulfill its agency functions. . . ." However, research to meet specific departmental needs is usually designed for a particular purpose and does not provide the detailed intelligence research required by other agencies which may wish to focus the research material on quite different departmental problems. To undertake the depth and breadth of research needed for economic intelligence studies designed to serve more than one agency would require more effort than could be justified by one agency's departmental requirements; and, contrary to NSCID 3, paragraph 1, c (4), would require a departmental intelligence component to develop intelligence in fields outside its dominant interest. For example, certain covert CIA offices require studies of the organization of the Soviet economy that are much more detailed than would ever be provided by DRS/OIR in meeting its departmental responsibilities. If, on the other hand, ORR/CIA were to prepare detailed research papers on this subject as a service of common concern they would not be specifically focused on a departmental problem and would be sufficiently detailed to be useful to a number of consumers intensely interested in this subject including State, Air Force (Air Targets), CIA (DD/P), etc. Such studies would of necessity include: details of ministerial organization; lines of authority; inter-relationships between activities in one ministry (sales, supply, etc.) and between the different ministries; locational aspects; key personnel, etc. This again is only one example of many that might be cited. Very little imagination is required to extend this reasoning to such fields as international trade, economic policies, government budgets, etc.

5. If any agency were to be allocated the primary or dominant interest in subjects such as these, it would be expected to provide detailed research studies on them as a service of common concern to the rest of the community. As noted in the statement of "Policies" in the proposed DCID, "any agency charged with primary responsibility in a particular field....will normally carry out all or most of the research in that field." The Department of State, for example, would require over a hundred professional personnel to undertake the research required to satisfy the needs of all agencies for intelligence production on those subjects for which it would be responsible in the Department of State draft. Moreover, although it is outside the bounds of this intellectual presentation, it is clear from the present mood of Congress that the Department of State cannot expect to augment its economic research staff to this extent. The number of personnel in the IAC agencies today, plus or minus any changes they might reasonably be expected to make, would probably be adequate to meet staff requirements for economic intelligence (including Air Force needs for target studies) if they utilize the results of current and future ORR/CIA research in preparing their

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ANNEX C TO DCI DIRECTIVE 15/1:  
RESPONSIBILITIES OF THE CENTRAL INTELLIGENCE AGENCY

1. Economic geography, including magnitude, location and quality of natural resources and potentialities for exploiting such resources.
2. Studies of non-military commodities, including analysis of production, stocks, requirements, and consumption patterns.
3. Analysis of plant capacity, technology, and other factors affecting output of various industries, including mining, electric power, and manufacturing.
4. Inter-industry studies.
5. Transportation and communications, drawing upon the work of Defense agencies.
6. Agricultural production and technology.
7. Clandestine trade and other covert economic activities.

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ANNEX D

IAC-D-22/1 (Revised)  
29 May 1951

TERMS OF REFERENCE FOR THE  
ECONOMIC INTELLIGENCE COMMITTEE

1. The Director of Central Intelligence with the concurrence of the members of the IAC has established an Economic Intelligence Committee, on which shall sit designated representatives of those agencies charged with primary responsibility for foreign national security intelligence, i.e., the Departments of the Army, Navy, Air Force, State, the Joint Chiefs of Staff, and the Central Intelligence Agency. Any other agency whose interest or competence may be relevant to the particular problem under examination may be invited also to sit with the Economic Intelligence Committee.
2. The representative from the Central Intelligence Agency shall serve as Chairman of the Economic Intelligence Committee, and he shall supply the secretariat.
3. The Economic Intelligence Committee shall:
  - a. Arrange concerted economic intelligence support, on selected major issues, for studies of interagency interest requested by the Intelligence Advisory Committee, the Joint Chiefs of Staff, etc.
  - b. Arrange for the mobilization of the data and analysis available, relevant to appropriate operating problems of any member agency requesting assistance, or of any other agency dealing with economic security problems, which may request assistance.

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c. Examine continuing programs of fundamental economic research relating to the national security throughout the United States Government and recommend to the IAC for appropriate action allocation of responsibility for specific fields of inquiry where such allocation appears appropriate.

d. Review and report to the IAC from time to time, on the pertinence, extent, and quality of the data and analyses available, bearing on the issues analyzed.

e. Recommend to the IAC for appropriate action priorities and allocation of responsibility for the collection and analysis to fill specific gaps in the economic intelligence needed for national security.

f. Maintain a continuing review of the foreign economic intelligence activities of the United States Government as they relate to the national security.

g. Make such special reviews of economic intelligence distribution and processing procedures as may appear useful, and make recommendations for improvement to the Intelligence Advisory Committee, which shall have responsibility for instituting such action as it may judge appropriate.

h. Prepare coordinated reports which present the best available foreign economic intelligence.

4. In carrying out its responsibilities, the Economic Intelligence Committee may set up such subcommittees and working parties as may be judged necessary.

5. When any member agency is unable to accept a recommendation of the Committee, the matter may be referred to the Intelligence Advisory Committee. All agencies directly concerned shall be asked to sit with the Intelligence Advisory Committee for the consideration of such questions.

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MEMORANDUM FOR: Director of Central Intelligence

SUBJECT : Proposed CIA Position on a DCID 15/1

REFERENCES : (A) Letter to Acting Director of Central Intelligence  
from the Special Assistant for Intelligence,  
Department of State, 28 August 1953  
(B) Department of State Draft of a Proposed DCID 15/1,  
17 August 1953 (Tab A)

A. Problem.

To present and explain a proposed CIA position in regard to a DCID 15/1 and to provide a draft Directive representing this position.

B. Facts Bearing on the Problem.

1. NSCID 1 states that the Director of Central Intelligence shall perform for the benefit of the existing intelligence agencies such services of common concern as the National Security Council determines can be more efficiently accomplished centrally. By implication in NSCID 3, the production of economic intelligence on the Soviet Bloc is of common concern to the intelligence agencies. Research in depth on the Soviet economy in its entirety can, in view of ORR, be more efficiently accomplished centrally, and therefore logically falls to CIA (Tab B).

2. NSCID 3 states that any intelligence agency may call upon other appropriate agencies for intelligence which does not fall within its own field of dominant interest and that such requests shall be made upon the agencies in accordance with their production capabilities and dominant interest. There is no implication in that Directive that the Department of State or the Military Services have dominant interest in the economic intelligence field. Furthermore, the Department of State, as an example, cannot undertake the depth of research required to meet the needs of other intelligence agencies in those fields which are allocated to the Department of State in its draft proposal (Tab A).

3. NSCID 3 further states that the Director of Central Intelligence will seek to minimize the necessity for any agency to develop intelligence in fields outside its dominant interests. It is understood that the research organizations of CIA were, in part, established to assist the Director of Central Intelligence in providing intelligence production in areas not of dominant interest to individual intelligence agencies.

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4. With reference to DCID 3/4, the assignment of production responsibility in the field of economic intelligence is not comparable with the problem of allocating such responsibility in the field of scientific and technical intelligence. DCID 3/4 divides responsibility in the scientific and technical field between the Department of Defense and the CIA, allocating those subjects that are clearly of direct military importance to Defense and assigning the subject of fundamental research on the basic sciences and medicine to CIA. The various subjects requiring research in the field of economic intelligence are so interrelated (as noted in Tab B) that any artificial separation of research responsibility would reduce the efficiency and effectiveness of the total research effort.

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5. As a result of the recognition over two years ago of the paucity of economic intelligence research on the Soviet Bloc, ORR, as a matter of common concern, shifted its research effort from world-wide coverage to a concentration on the Soviet Bloc, and greatly strengthened this effort. As of January 1953 [redacted] doing full time research on the Soviet Bloc; the Department of State had 29, including those working on NIS; the Department of the Army had 31; the Department of the Navy had 15; and the Department of the Air Force had 219 (see chart, Tab B). It is understood that the relative proportions have not changed significantly since that time.

### C. Discussion.

1. At the present time, CIA has in its Office of Research and Reports the broadest research program on the Soviet Bloc and the largest number of personnel engaged in such research within the intelligence community. The only other sizable organization conducting such research is in the Department of the Air Force. However, this Air Force effort is primarily concerned with target intelligence, and the emphasis is on the production of specialized studies in support of war plans. The Air Force has been drawing increasingly upon the resources of CIA as this Agency has developed competence in the field of Soviet Bloc economic research.

2. The Department of State proposal for a DCID 15/1 (Tab A) is unrealistic in the light of the Department's present and foreseeable research capabilities. On the other hand, the ORR proposal for a DCID 15/1 (Tab C) reflects the existing capabilities to produce economic intelligence on the Soviet Bloc and the lack of any dominant interest in the field by either the Department of State or the Military Services. In essence, the ORR proposal states that CIA will produce, as a matter of common concern, the bulk of the economic intelligence on the Soviet Bloc and that other agencies may supplement this for their departmental needs as necessary.

3. The ORR proposal is couched in such terms as not to specify the numbers of people which other agencies require in the discharge of their departmental responsibilities for Soviet Bloc economic intelligence, nor does it attempt to allocate in rigid fashion the specific areas in which other agencies may do such research.

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D. Conclusions.

That neither the Department of State nor the Military Services have dominant interest or primary responsibilities for the production of economic intelligence on the Soviet Bloc; that this intelligence production is a matter of common concern and can be most efficiently accomplished centrally in CIA, because it requires research in depth and an integrated approach to the entire economic structure; that the Department of State proposal does not abide by the intent of NSCID 3 to minimize the necessity for any agency to develop intelligence production capabilities in fields outside its dominant interest; and, that other agencies should supplement the economic intelligence production on the Soviet Bloc produced by CIA in order to meet their departmental needs.

E. Action Recommended.

That, if a DCID 15/1 is to be considered at this time, the DCI accept the draft proposal contained in Tab C as the position of this Agency.



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ROBERT AMORY, Jr.  
Deputy Director/Intelligence

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14 September 1953

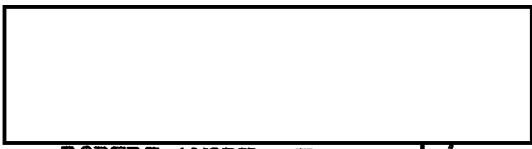
MEMORANDUM FOR THE DEPUTY DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT: State's Proposed Directive on Bloc Economic Intelligence Production

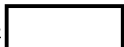
Attached find fairly detailed staff study of Park Armstrong's proposed directive on Bloc Economic Intelligence Production.

I suggest that as the next move you send the attached letter to Armstrong and see how he reacts. Frankly the status quo is OK because I as DDI last spring instructed AD/NE to look to ORR as the primary contributor of economic sections of estimates on the Bloc. But if Park insists on a directive, let it be very simple and to the point.

I have tried not to labor the decisive point that he just doesn't have a tiny fraction of the resources he would require to implement his draft but I do feel a minor hint is in order, as in my last paragraph, that we are not unaware of the inconsistency of his asking us to take over certain basic responsibilities of State and simultaneously seeking more functions!

  
ROBERT AMORY, JR.  
Deputy Director/Intelligence

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